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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 281 **October, 1983**

Business in Virginia September, 1983, Data

Spending and business both slowed in September in the Commonwealth. The best measure we have for spending and general business conditions is the indicator known as bank debits to demand deposits. In layman's language these are checking account transactions. In September of this year when compared with that of a year earlier the increase was only 11.9 percent when par for the course lies around 20 to 25 percent. The summer months this year were just great with a range of a 25.0 percent increase in May to a 27.0 percent increase in August with a peak of 32.0 percent in July.

Virginia appears to be almost on a par with national averages in this regard. The U.S. spending fell about 7.0 percentage points during the third quarter, but Virginia not quite so much. Furthermore, it should be noted that there is a lag effect between the Old Dominion and the nation. If the latter falters Virginia will see a decrease a little later. If the country rises, it is a month or so before the Commonwealth responds. This is not too bad, however, as it gives those who are interested in the Virginia economy a vehicle for doing some forecasting.

Building permits on a year-ago basis in Virginia were up only 6.4 percent. Earlier they had been much higher. In August, for example up almost 100 percent. For the nine months of this year in comparison with the first nine months of last year the increase was still a healthy 52.1 percent rise. This was better than a year ago and especially the entire year of 1982 which saw permits increase by only 9.6 percent.

As might be expected retail sales did not do as well as they did earlier this year. For the time period of September to September they were up only 8.5 percent. On a nine month basis they were up 11.0 percent so that the year-to-date is still holding up fairly well. This was all in spite of newspaper advertising linage being up 5.8 percent on a year earlier basis. Apparently, the consumer was still not quite in the mood to buy after the devasting summer heat which lagged into September.

One set of sales, though, that did do very well was new car registrations. Over a year ago they increased 20.1 percent. August had seen only a rise of 15.0 percent after the road burning 50.5 percent increase in July. The new models appear to be running well.

Electricity consumed likewise did very well. It rose 24.1 percent over a year ago. This was most substantial and definitely weather related. From June through September there is a decided upward trend in electrical usage, as the extraordinary weather burnt rural and urban areas. There should be some tapering in this indicator, but if December this year is substantially better than in 1982 (and there is reason to believe it will be), then a lot of lights, gadgets, and gears will get turned up.

Water consumption was up 9.1 percent. Some lawns and irrigated crops were saved, but not many. Postal receipts rose 8.7 percent. As we go to press we do not have the non-farm-employment figures. But they should be hovering around a 1.0 percent increase. Virginia's unemployment is one of the lowest in the nation and is now sitting on 5.5 percent after reaching a high of 9.0 percent in January of this year. Much progress has truly been made. LET

(Continued on back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change September, 1983 from September, 1982

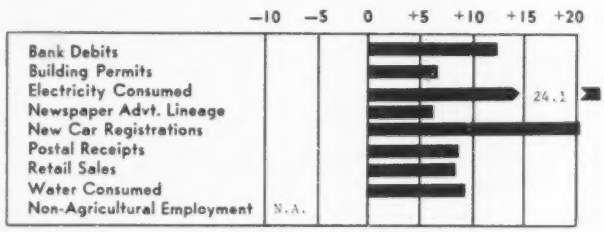
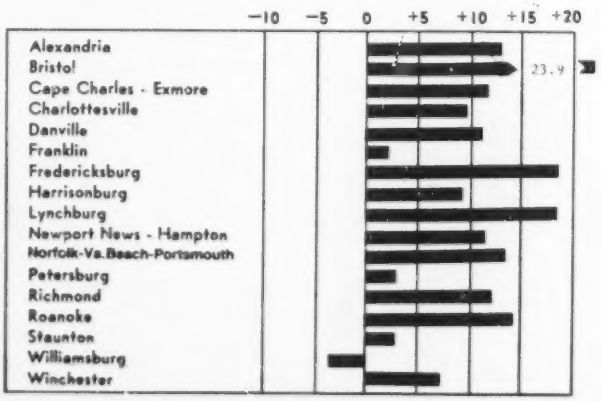


Chart II

City Indices

Percentage Change September, 1983 from September, 1982



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I September 1983 — Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		307.8	170.5	139.6	102.8	87.2	N.A.	98.3	150.9	204.8
Alexandria	239.9	677.6	109.2	150.6	N.A.	110.9	N.A.	95.1	215.1	N.A.
Bristol	140.6	260.8	116.7	80.7	141.3	108.5	N.A.	98.7	125.8	198.2
Cape Charles - Exmore	145.1	193.1	227.1	128.3	N.A.	75.5	N.A.	N.A.	161.2	135.5
Charlottesville	194.4	229.2	141.2	125.1	N.A.	83.2	N.A.	117.0	273.5	180.3
Danville	138.6	N.A.	132.8	118.4	120.6	82.2	N.A.	84.5	183.7	152.0
Franklin	120.1	N.A.	104.8	99.1	105.1	79.2	N.A.	117.8	133.1	160.3
Fredericksburg	180.4	221.4	94.8	N.A.	151.2	102.3	N.A.	91.8	235.7	183.4
Harrisonburg	171.7	200.3	479.6	N.A.	110.5	72.1	N.A.	137.6	226.5	173.7
Lynchburg	222.7	524.9	133.4	126.4	N.A.	79.3	N.A.	141.2	157.4	437.5
Newport News - Hampton	140.2	223.5	157.2	128.2	105.1	73.8	N.A.	122.9	156.0	N.A.
Norfolk - Va. Beach - Portsmouth	156.8	176.8	190.8	153.5	111.3	78.1	N.A.	83.4	217.2	N.A.
Petersburg	121.6	167.9	79.0	N.A.	71.2	55.7	N.A.	101.4	137.5	164.2
Richmond	163.5	332.7	N.A.	156.8	107.6	73.3	N.A.	117.2	174.2	161.6
Roanoke	158.3	299.1	40.4	95.1	129.8	67.9	N.A.	103.9	187.1	167.2
Staunton	146.8	110.5	43.9	N.A.	75.4	65.1	N.A.	N.A.	143.8	345.5
Williamsburg	136.9	86.1	105.5	163.3	N.A.	89.1	N.A.	98.3	155.7	191.5
Winchester	160.7	299.3	96.5	113.5	181.0	91.5	N.A.	119.8	156.1	172.0

TABLE II September 1983 — Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Aug. RETAIL SALES ‡
The State		11.9	6.4	24.1	5.8	20.1	N.A.	9.1	8.5	24.7
Alexandria	12.7	9.2	-27.5	27.4	N.A.	27.9	N.A.	-11.7	12.0	36.4
Bristol	23.9	25.7	120.2	8.6	26.6	37.7	N.A.	36.1	18.8	22.0
Cape Charles - Exmore	11.7	37.8	107.2	10.0	N.A.	23.7	N.A.	N.A.	-0.4	19.7
Charlottesville	9.9	40.2	339.8	16.6	N.A.	-5.6	N.A.	2.2	5.3	45.5
Danville	10.8	N.A.	184.3	11.3	-0.5	54.8	N.A.	-0.5	0.1	27.5
Franklin	2.1	N.A.	4.6	25.8	-4.6	19.5	N.A.	-1.5	-8.1	10.3
Fredericksburg	18.7	52.3	94.3	N.A.	10.8	22.4	N.A.	-11.0	18.8	58.6
Harrisonburg	9.0	19.2	1447.0	N.A.	4.3	1.5	N.A.	15.8	7.3	74.1
Lynchburg	18.5	46.9	-21.9	20.8	N.A.	41.6	N.A.	16.1	1.4	30.6
Newport News - Hampton	11.2	10.7	41.6	22.7	7.7	19.4	N.A.	10.4	6.1	20.9
Norfolk - Va. Beach - Portsmouth	12.1	-4.7	16.5	25.2	5.7	13.9	N.A.	10.0	18.2	32.1
Petersburg	3.2	19.7	-97.3	N.A.	-8.8	-3.2	N.A.	20.4	-1.8	40.4
Richmond	12.2	9.7	20.2	34.1	6.7	10.5	N.A.	16.6	6.6	35.0
Roanoke	14.1	41.8	-39.9	7.5	10.5	25.7	N.A.	6.7	6.8	43.4
Staunton	2.4	15.1	78.6	N.A.	-10.5	-8.1	N.A.	N.A.	6.0	27.7
Williamsburg	-3.6	-41.4	-55.2	16.0	N.A.	-8.7	N.A.	-3.2	4.1	27.6
Winchester	7.1	9.5	-77.7	13.0	2.0	20.2	N.A.	15.6	-1.1	35.1

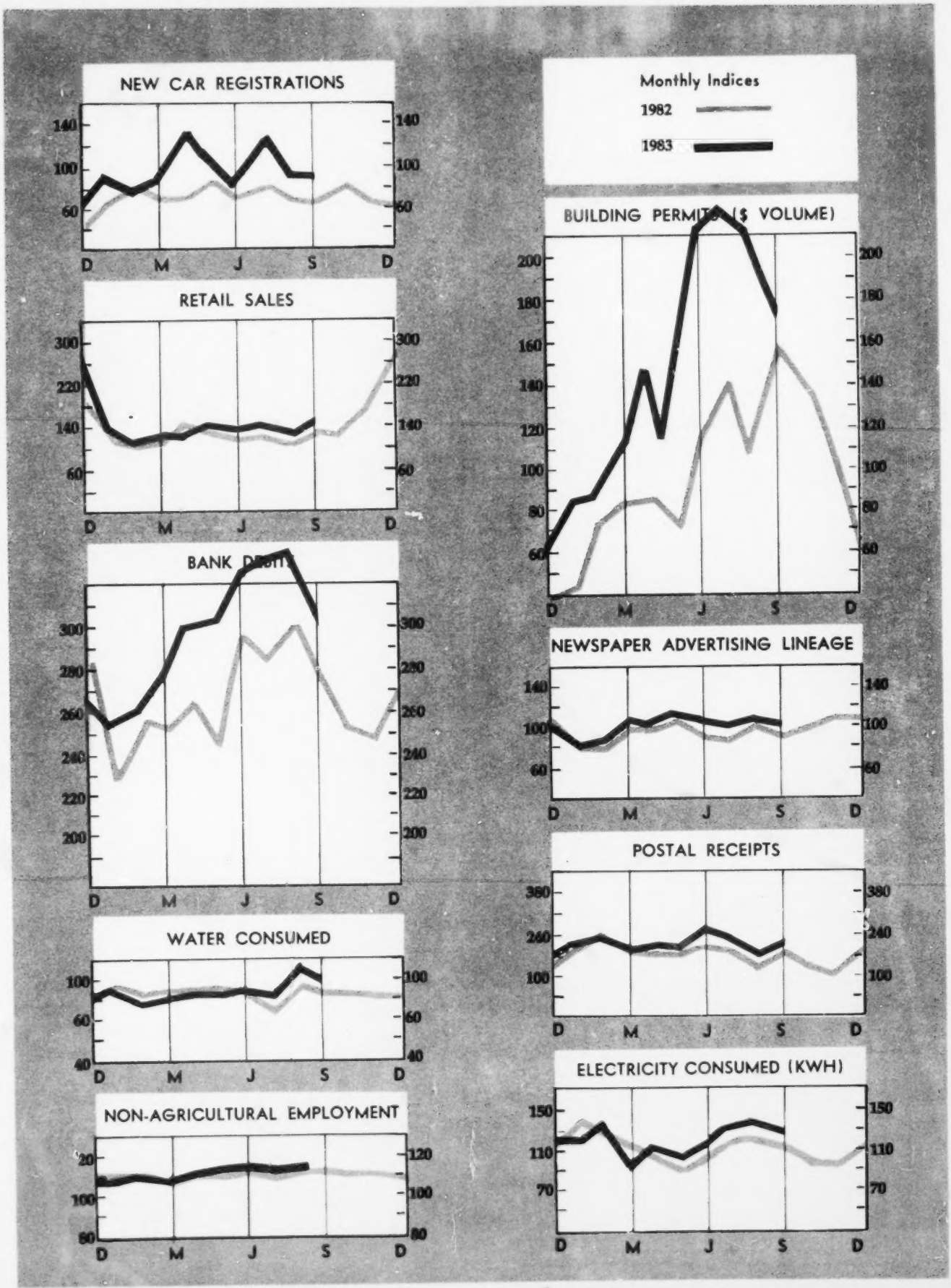
TABLE III — Percentage Change January - September from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan-Aug. RETAIL SALES
The State		17.0	52.1	5.3	6.6	23.0	N.A.	0.6	11.0	12.6
Alexandria	11.0	-3.3	174.7	4.7	N.A.	25.3	N.A.	2.0	16.1	16.2
Bristol	16.3	27.5	-1.6	-0.8	0.1	38.6	N.A.	19.7	15.2	4.0
Cape Charles - Exmore	8.0	18.2	160.1	1.6	N.A.	30.0	N.A.	N.A.	-0.7	10.6
Charlottesville	11.9	25.5	17.8	1.6	N.A.	29.8	N.A.	0.2	8.8	11.1
Danville	5.4	N.A.	1.9	6.6	11.5	51.5	N.A.	-6.5	-8.5	8.0
Franklin	0.6	N.A.	28.0	5.1	-0.6	11.3	N.A.	-4.6	-2.4	4.1
Fredericksburg	14.1	38.7	105.8	N.A.	10.4	26.4	N.A.	-27.3	16.9	19.5
Harrisonburg	9.8	23.4	239.8	N.A.	7.0	19.4	N.A.	5.6	4.3	48.8
Lynchburg	15.3	38.5	27.6	2.9	N.A.	41.3	N.A.	0.2	8.1	7.1
Newport News - Hampton	11.2	19.3	16.3	4.0	0.7	19.8	N.A.	5.9	13.4	10.8
Norfolk - Va. Beach - Portsmouth	13.8	27.2	54.8	4.2	8.5	23.9	N.A.	-0.9	15.7	14.9
Petersburg	13.7	32.4	-17.9	N.A.	5.3	36.5	N.A.	1.5	6.7	14.7
Richmond	10.8	13.0	0.9	12.1	2.8	19.0	N.A.	1.1	12.7	15.4
Roanoke	8.3	28.0	99.5	3.3	10.9	-6.1	N.A.	0.2	10.1	11.8
Staunton	7.8	22.8	27.4	N.A.	1.8	16.0	N.A.	N.A.	2.0	7.2
Williamsburg	1.3	-25.4	79.5	0.6	N.A.	29.7	N.A.	-6.2	3.5	14.9
Winchester	8.7	20.3	-8.4	5.5	16.2	30.6	N.A.	8.4	-3.1	19.7

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.


NEW CAR REGISTRATIONS
RETAIL SALES
BANK DEBITS
WATER CONSUMED
NON-AGRICULTURAL EMPLOYMENT
Monthly Indices
1982
1983
BUILDING PERMITS ($ VOLUME)
NEWSPAPER ADVERTISING LINEAGE
POSTAL RECEIPTS
ELECTRICITY CONSUMED (KWH)
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WHO MAKES THE THINGS?

(This article was written by Chessie Professor of Business Administration Marvin M. Stanley, who teaches Transportation Management and Business Policy in the Business School's MBA degree program.)

The author is taking this opportunity, in Lee Traywick's absence, to discuss something which is personally interesting, perhaps even a little disturbing. That is the relative position of goods-producing activity to services activity on the national economic scene.

We know that half of all personal consumption expenditures go to purchase services ranging from haircuts to medical care, from education to funerals, from legal advice to entertainment. The other half goes to pay for things. A word is needed here to avoid borrowing trouble. Those who provide such services are productive citizens in our vast economy. We need transportation, banking, advertising, educators, computer programmers, real estate brokers, and on and on and on. This is not to decry their importance.

Intriguing is the extent to which so many who do not produce physical goods depend upon the minority who turn out the things we all need and want. Let's look at some crude measurements which illustrate how so many seem to rely on so few.

In 1982 there were 84.7 million full-time equivalent employees in our domestic industries. (Equivalent means an adjustment to include both full-time and part-time employees.) On this total, 16.1 million (19 percent) were in government-related employment at all levels, and 68.6 million (81 percent) were in private enterprises. Within the total of 84.7 million there were 24.3 million (28.7 percent of the total) engaged in goods-producing activities of all kinds. But, only 18.2 million (21,5 percent) were involved in manufacture of durable or nondurable goods.

Those involved in manufacturing were not badly paid, with average annual salaries/wages of $21,075, 14.5 percent above the average annual compensation of $18,412 in all domestic private industries.

It may be interesting to take a look at the average 1982 wages and salaries of full-time equivalent employees in industry, ranked in broad categories from highest to lowest.

Mining	$28,518
Transportation and Public Utilities	24,700
Durable Goods Manufacture	22,288
Construction	21,835
Wholesale Trade	21,719
Non-durable Goods Manufacture	19,294
Finance, Insurance, Real Estate	18,921
Services	16,206
Retail Trade	12,351

Not surprisingly, those occupations requiring a particular technical expertise combined with some physical hazard tend to command the higher levels of wages and salaries.

The group of 24.3 million involved in goods producing activities of all kinds received $509.2 billion in personal income. This is 19.7 percent of total U.S. personal income of $2,578.6 billion in 1982.

About one in every four workers, including management, is involved in production of goods, including agriculture, mining and other extractive processes. About one in every five workers is involved in the manufacture of both industrial and consumer products we all need or want.

Approximately 75 to 80 percent, depending on which figure you use, of all workers depend upon a minority to turn out things which have given us such a high level of creature comfort and well-being. The total population of 232.1 million depends upon 24.3 million workers, 10.5 percent of all of us, about one in ten, to produce the things we need or want.

Let's turn for a moment to the old, classic economics definition of inflation as "too much money chasing too few good," with prices being bid up by consumers' needs for necessities or desire for discretionary items. Ours is the largest and most complex economy in the free world. The Federal Reserve System worries about the money supply, along with Milton Friedman. The President and the Congress worry about the budget deficit, as do some media commentators and informed taxpayers. The homeowner worries about property taxes. The wage-earner worries about social security deductions and income taxes. Perhaps there should be some concern somewhere about this dependence upon the minority of producers of things in our economy.

Over the fifteen year period 1967-1982 full-time equivalent employees in domestic industry grew from 67.9 million to 84.7 million, a compounded average annual growth rate of 1.5 percent. However, goods-producing workers, standing at 24.8 million in 1967 and 24.3 million in 1982, declined at a rate of 0.1 percent per year, and manufacturing workers fell from 19.5 million to 18.2 million, an average annual decline of 0.5 percent per year.

From 1967 through 1982 the importation of non-agricultural products grew from $22.3 billion to $228.5 billion, a compounded average annual growth rate of 16.8 percent per year. At the same time, our exports were rising, from $24.8 billion in 1967 to $170.5 billion in 1982, a compounded average annual growth rate of 13.7 percent per year. Of course, inflation in U.S. and other currencies was present. Note however, that in 1967 our non-agricultural product exports were 111 percent of comparable imports; in 1982 the exports were 75 percent of comparable imports.

Another side of the same coin: in 1982 this nation imported $228.5 billion in non-agricultural products. We hear a lot about oil importation, but that was only $59.4 billion. The remainder consisted of things, many of which we could have produced at home.

(This is the first of two parts examining the services emphasis in our national economy). MMS

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